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ABSTRACT

This report discusses trends in the way Australian families are forming and re-forming, factors determining families' access to income, and proposals regarding reform of the income transfer system. The current shape of families in Australia is described in terms of a shift to marriage at a later age; leaving-home behavior of young people; the formation of "living-together" relationships among young people; lower fertility; smaller families; a shift in demand for services from the young to the aged; and increasing divorce rates. Levels and distribution of income are reported in relation to families under the poverty line; access of family members to employment; families' experience of unemployment; two-earner families; women's employment; and one-parent families. The discussion of policy strategies for the future delineates priority objectives, advances reform strategies for taxation and social security, and provides a guide to tax and social security reform issues and options for families. (RH)

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FAMILIES AND AUSTRALIA'S ECONOMIC FUTURE

SUBMISSION TO THE
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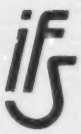

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FOREWORD

The Economic Planning Advisory Council (EPAC), established by the Commonwealth Government following the Economic Summit in 1983, plans to prepare annually a detailed review of the Australian economy concentrating on medium and long-term conditions and developments. The first Annual Review of the Australian Economy is to be released in mid 1985. In preparing the review for 1985, EPAC called for submissions from interested organisations and indicated to the Institute of Family Studies that it would be pleased to receive a submission from it.

This publication is based on the IFS submission lodged with EPAC in November 1984.

INTRODUCTION

The Australian Institute of Family Studies believes that it can contribute usefully to the government's review of taxation and welfare structures in at least two ways:

- first, by outlining the current nature of Australia's families and the changes taking place in Australian family patterns which affect, directly or indirectly, the economy;
- second, by indicating how policies which link 'benefits' and 'services' for families in a 'benefit-service package' relate to both fundamental value directions and to the problems of raising taxation revenue in order to fund that package.

One of the primary objectives in planning Australia's economic future must be to provide for the maximisation of the economic well-being of all Australian families. That this is not the situation at the present time is evidenced by the large number of families in poverty and the continuing high levels of unemployment.

The Institute of Family Studies (IFS) regards the inability of many families to gain access to adequate income and the existence of barriers to employment for many members of families as the most crucial problems facing families currently and in the future. In addition, families require access to adequate services especially health, education, housing, child care and transport. Accordingly government policies must aim to generate sufficient revenue to provide such services adequately and equitably. This submission will describe and discuss the trends that are now evident in the way families are forming and re-forming, those factors determining families' access to income, and some proposals regarding reform of the income transfer system.

Some fundamental value questions must be asked repeatedly in any review of the income transfer system. They relate to the position of families relative to the market economy in that family consumption and production are a major element. To oversimplify, every society requires its adult citizens to fulfil

productive roles in both the labour market and in the home. In employment they produce goods and services which fuel the economy; at home they produce goods and services which sustain current citizens and nurture future citizens. There can be no doubt that both are essential and both are intertwined.

Historically, these dual productive roles have been handled jointly by all family members, but have been progressively separated functionally and spatially from one another. The sexual division of labour has not always involved men as hunters or providers and women as nurturers, though this has been a dominant form. Nevertheless the sexual division of labour should not be allowed to obscure the continuing link between work and family roles. In modern societies, without work which produces income or equivalent goods, family life cannot survive; nor, quite likely, without the nurturant support of families could the economy or the society itself survive.

The Institute wishes to argue that family structures and the way they change are central to economic stability and vice versa. It wishes also to argue that planning for income transfer reform is essentially an exercise in policy development that underpins family well-being. The central questions constantly to be asked are:

- how will this (suggested change) support families in their dual productive roles at home and in the paid labour force?
- will it harm family stability?
- will it benefit or discriminate against:
  — particular types of families?
  — particular individuals within families?
- will it preserve or damage the rights of families to freedom of choice (under the law) to pursue their own values and way of life?
- will it move society towards a more equitable and just position for every family and its individual members?
- will it encourage independence, autonomy and initiative in an 'empowering' way, or will it increase dependence, lack of control and limit the freedom of choice available to people in Australian society?

To state these questions as value propositions, the Institute of Family Studies is suggesting that:

- *both men and women should be assisted in their attempts (jointly and individually) to produce economically and to nurture children in a positively constructive environment*
- *family stability is to be preferred over instability, particularly when children are dependent, and no factor should be left unchecked which potentially undermines that stability*
- *family type is a matter of personal choice and varies widely (to be married or not, to have children or not, to support kin or not) which changes through*

stages of the life cycle, and freedom of choice among competing value systems is to be encouraged in a democratic society. Thus neither marital status nor family type should lead to discrimination within the income transfer system. However family type should not be allowed to obscure the rights of individuals within families. In particular, the income transfer system must be careful not to discriminate against the rights of women and must enhance the rights of children to a decent life

- *freedom of choice is preferable to coercion, so policies must aim at making choices universally available to families and their members. If those options are not socially available (e.g. to paid employment, to child care, to further education and retraining), then people should not be penalised for the options they are forced to accept*
- *equity in society is a desirable goal, both for family units and for individual family members. Equity however is not equality, a goal virtually impossible to achieve. Thus our preference would be for income transfer programs which provide for equity via a basic level of income and service provision for all families, rather than for programs which restrict incentives (at home or in the labour market), restrict choices and increase dependency*
- *independence, autonomy and initiative of family units and their members is to be encouraged rather than dependency.*

THE CURRENT SHAPE OF FAMILIES IN AUSTRALIA

As at the Census in 1981, 84.6 per cent of all persons in Australia were living in families, 39.1 per cent in families with two parents and dependent children. Another 14.6 per cent lived as couples without dependent children and 6.6 per cent lived in one-parent families with non-adult offspring. Looking further the Census figures show that 22.5 per cent of families were comprised of one employed adult, one adult not in the labour force, and dependent children (i.e. the 'traditional' notion of the nuclear family); 19.6 per cent comprised two employed adults and dependent children; and 7.6 per cent comprised only one adult and dependent children (ABS, *Labour force status and other characteristics of families*, 1982). As can be seen by these figures, there are many different types of families, with only 49.7 per cent containing any dependent children. Families can be at any of a number of life stages, for example, with young, adolescent or adult children present, or being childless before embarking on child rearing, following the departure of children or because they will never contain children. Children are present in families because of birth, because of adoption, or because of the remarriage of one of their parents. The structure and nature of families at present and in the future is being shaped by a number of developments (described below) which are quite different to the recent past.

In all societies, family organisation and economic organisation are so closely linked that they can be regarded as parts of a single dimension (McDonald, forthcoming). Changes in patterns of family formation and dissolution both explain, and are explained by, economic change. It is not surprising therefore that the major economic changes of the past twenty years in Australia and other industrialised nations have been accompanied by major changes to family formation behaviour.

Later age at marriage

Since the beginning of the 1970s, following the period known as the 'marriage

boom' from the late 1940s to the late 1960s, the proportion of the population never marrying has increased as has the age at first marriage.

In 1971, 64 per cent of women aged 20-24 had been married whereas by 1981, this percentage had dropped to 45 per cent and the decline was continuing. The proportion of people never marrying at all during their lifetime, which fell to an all-time low point of 4 per cent for women born in the 1930s, is likely to rise to around 20 per cent for those born in the 1960s (Carmichael, 1984:149).

Age at first marriage is closely related to a person's educational level, a relationship that was obscured by the almost universal marriage rates of the 'marriage boom', but now restored (Carmichael, forthcoming). It is likely that current employment trends, which favour those with the longest education, will both increase the demand for post-compulsory education and training and, at the same time, further encourage the postponement or abandonment of marriage by many young people.

Changed leaving behaviour

New trends are already showing up in the leaving home behaviour of young people. Until recently, to a very large degree, youth did not leave their parental home until their marriage. Marriage, therefore, marked the point at which the young person became fully independent. While young people at that time may have earned their own separate income, there was a degree of dependence on their family through the provision of housing and household services. A recent analysis by Young of IFS data from the Australian Family Formation Study — 1981 Survey shows a drop between the 1960s and the late 1970s from 71 per cent to 24 per cent of men leaving their parental home in order to marry. For women, the drop was from 82 per cent to 37 per cent (Young, forthcoming; Table 7).

Results from the IFS Australian Family Formation Study of 2500 18-34 year olds (1981 Survey) showed that over the decade from 1971 to 1981, the reasons for young people first leaving home had changed in important ways. The following are some of the main features of the analysis (Edgar and Maas, 1984:32):

- independence is a far more important reason for first leaving home in 1981 than in 1970;
- vocational reasons, while still important for all the group, have reduced in proportion, possibly reflecting a reduction in opportunities particularly for the youngest group;
- conflict has increased dramatically for all the group;
- marriage has decreased as a reason for first leaving so that it ranks quite low for the early leavers, has been more than halved for males leaving at ages 19-22 years and has been reduced by nearly 30 per cent for females leaving at those ages.

A feature of the leaving home patterns of young people emerging from this survey is that a high proportion have returned to the parental home from time to time, very often for economic reasons.

Thus from a position of independence, young people are forced to return, under economic pressure, to a renewed degree of dependency upon their parents. The data suggest that young people want a period of independence between leaving their parents' home and marriage, but they are not necessarily able to maintain full independence because they may have to return home when the means of their independence falls away.

The change from complete dependence on parents to a state of independence from them is no longer a single event, but a process involving moves into and out of the parental home. This process has become more problematic in recent times due to an acute shortage of suitable accommodation for youth. For some, the answer is shared renting and for others, it is to return home. For many, however, no alternatives are available (Burke, Hancock and Newton, 1984; Senate Standing Committee on Social Welfare, 1982). The contributing factors to many young people being homeless and at risk have been identified as inadequate access to income because of unemployment; low levels of government benefits; no family support; family conflict; and the unavailability of low cost housing (Burke, Hancock and Newton, 1984). It is likely that such pressures will mean an extended period of dependence on their parents for many young people.

In addition to increased demands for places in post-compulsory schooling, these trends will require further solutions from economic and social policy processes.

Income support for both young people and their families will be required for longer periods and for greater numbers. This issue is currently under extensive investigation by the Department of Education and Youth Affairs as the morass of youth allowances is in need of rationalisation (Social Welfare Policy Secretariat and Office of Youth Affairs, 1984). It is important that families, especially on low incomes, should not be expected to bear the full cost of such extended dependency. Allowances to youth, especially those living away from home, should reflect their need to become increasingly independent of their parents. Housing policies will also need to account for the need for young people to obtain low cost accommodation near to central facilities and employment opportunities.

Trend toward 'living together'

Another important associated trend is the formation of 'living together' relationships among young people. A survey conducted in Melbourne in 1977 showed that the proportion who lived with their partner before marriage increased from 14 per cent among those married during 1968-72 to 28 per cent among those married during 1973-77 (Khoo, forthcoming). A recent

study of Notice of Intended Marriage forms suggests that this proportion was around 40 per cent in 1982 (Kilmartin, 1984:9). Living together is becoming part of the courtship process. In the Australian Family Formation Study — 1981 Survey of 18-34 year old Australians, 78 per cent said it was all right to live together without planning to get married, and 63 per cent said that couples should make sure that they are sexually compatible before marrying (Institute of Family Studies, 1983:13). At the same time living together is not seen as an alternative to marriage because around 90 per cent of the young people interviewed expect to marry at some time.

Couples seem to be moving out of de facto relationships and into marriage but not necessarily into early child rearing. The pattern that appears to emerge is characterised by the development of a relationship until it reaches a point where material possessions are being accumulated and a degree of jointness or security is required. Marriage is seen to provide this as, despite the divorce rate, most people still see their first marriage as a 'union of a man and a woman to the exclusion of all others, voluntarily entered into for life'.

Lower fertility

A result of these changed patterns is that the arrival of the first child in a marriage now occurs much later.

For those marrying in the early 1960s, close to 80 per cent had had a birth within three years of the marriage. For those marrying from 1976 onwards, this proportion dropped below 50 per cent (Ruzicka, 1984:200).

The continued delay of the birth of the first child can be seen in terms of the need for a second income in the early years while paying off a housing mortgage (Burke, Hancock and Newton, 1984), and in the pursuance of careers by women (McDonald, 1984). An important structural change to the labour force, which is implied by this trend, is that women will have a much longer, sustained period in the workforce before the birth of their first child. They will thus have developed much greater levels of experience and expertise than was the case when first births took place at an earlier age. Often, there will also be more at stake for these women in leaving the workforce. An even greater demand can therefore be expected for conditions at work which will permit less of that stake to be lost, such as better conditions for part-time work, extended leave, and child care provision. Even so, evidence is emerging that a much higher proportion of women will never have a child. The percentage of women remaining childless throughout their lifetime appears likely to rise from about 8 per cent among women born in the 1930s and early 1940s to around 20 per cent for those born in the 1950s (McDonald, 1984:44). Thus 20 per cent of women would be available to the workforce totally unencumbered by children. As most of these women would have a partner and as most of these couples would be relatively affluent, they would be a force in the medium-density, inner-city housing market. Patterns of consumption and

investment would be affected by the growing group of high income couples. Greater demand would be generated in the leisure markets and for the replacement of domestic services.

Smaller families

The shift of commencement of childbearing to a much older age will also mean that the proportion of births being third or subsequent births will continue to decline. In 1980-82 almost 75 per cent of all nuptial births were first or second births. This compares with 58 per cent being first or second births in the years 1955-64. The two-child family will thus rise to even greater pre-eminence and one-child families will also be not unusual. This has obvious implications for family allowances given that rates of allowance are higher for third and subsequent children. Indeed, there are implications in this trend for all planning which revolves around the size of households.

Shift in demand for services from the young to the aged

The high opportunity cost of having a first child will be a relevant factor in the overall number of births occurring in the medium term. A late 1980s baby boom, previously predicted by some observers, seems most unlikely in this context. A recent projection of births by the Department of Immigration and Ethnic Affairs (1984) shows the number of births essentially remaining at the present level through to the year 2000. This will mean a static demand for child-related services from the demographic perspective. It may mean that there will be a consequent opportunity to improve the quality or range of such services.

As Australia's population ages greater demands will be made to provide services to the elderly. Already income support payments to the aged have increased dramatically to the point where, in December 1983, 10.1 per cent of the population received the aged pension compared with only 5.9 per cent in 1971 (Hugo and Wood, 1984: Table 64). Because of the trend towards more couples surviving together into old age, (there was a 19 per cent increase of couples aged 60 years and over between 1976 and 1981 (Hugo and Wood, 1984: Table 42)), future policies should aim at assisting couples to care for each other so that they resort less to institutional solutions to the problems of old age.

The increasing divorce rate

The divorce rate in Australia has been rising rapidly since the latter part of the 1960s (Institute of Family Studies, 1983:20-28). Part of this rise has been due to a shift away from permanent separation without divorce to divorce, presumably a result of the *Family Law Act* 1975. The rates of divorce applying in

1982, if extended over the lifetime of a marriage, imply that around 40 per cent of Australian marriages end in divorce. Further, more than 60 per cent of divorces involve dependent children. The 1982 division of divorces according to length of marriage and presence of dependent children is set out in Table 1.

TABLE 1: Percentage distribution of divorces by length of marriage and presence of dependent children, Australia, 1982

	%
Short marriage (less than 5 years)	
Without dependent children	13.3
With dependent children	7.0
Medium length marriage (5-19 years)	
Without dependent children	15.2
With dependent children	45.7
Long marriage (20 years and over)	
Without dependent children	9.9
With dependent children	8.9
	100.0

The high divorce rate has led to a rapid growth in the number of single parent families, nine out of ten of which are headed by a woman. It has also been part of the reason for the rapid growth of single person households and households consisting of a couple without children. The largest group of divorces come from medium length marriages with dependent children (46 per cent of all divorces). These divorces pose problems because the woman is likely to end up with the custody of the children at a time when she is most likely to be out of the workforce or at least to have had her income earning capacity much reduced by a long period of child care. Furthermore, this stage of family life is usually the time at which couples are in greatest debt because they are in the early stages of paying off a mortgage. Thus a large proportion of divorces occur in a rather vulnerable group in society.

The most immediate and obvious cost to the community of this trend is the extent of income support now being provided to supporting parents. The numbers of divorced women or separated wives receiving the Supporting Parents Benefit or Widows' Pension has risen from 27 000 in 1975 to 124 000 in 1983.

Given that many marriages break down under the weight of economic pressure, the issue is raised as to whether there is a need for greater support before the point at which the marriage becomes economically unviable.

Because the community is prepared to provide economic support to family members after a family has broken up, it can reasonably be asked why the availability of sufficient financial and like resources should not be made to

families in order to help prevent dissolution in the first place. The policy implications are clear. Families affected by unemployment, lack of employment opportunities, low levels of earnings, and unaffordable housing are issues which require greater attention particularly in the areas of employment policies, training and retraining, the provision of services such as child care, and low cost accommodation.

For many divorced people, the single state is a temporary phenomenon ended by repartnering. Repartnering radically changes the economic situation of those concerned. The 1984 IFS survey of the Economic Consequences of Marriage Breakdown (826 couples who divorced in 1981 and in 1983) shows that most persons who repartner do so rapidly. Repartnering occurred more often for men than for women and was also more frequent for the younger sample groups than for the older group (see Table 2). Table 2 also shows that following divorce, men often lived alone or shared accommodation with other persons. Around 40 per cent of the men, both older and younger, were in these situations at the time of the survey. Clearly this implies a demand for housing for single persons which is sufficiently large to accommodate the children on access visits. The table also confirms the extent to which the children of the marriage accompany the wife. When repartnering occurs this means that step-parent situations are most often stepfather rather than stepmother situations. In the survey, a stepfather was present in 92 per cent of all step-parent situations while stepmothers were present in only 21 per cent of the cases. While men remain the major income source in families, this situation clearly leads to a difficulty as to which father has the right and which has the obligation to support the children. Natural fathers who perceive their maintenance payments as merely a subsidy to the stepfather are unlikely to be cooperative in paying. At the same time, however, they may wish to provide major support to their children. Qualitative information from the survey suggests that men would feel much happier about payment of maintenance for their children if they felt assured that the money was in fact being used directly for the children's welfare. Policies relating to maintenance collection should address the issue of appropriate mechanisms for support which might affect the levels of publicly provided income support.

Another economic implication of the high rate of divorce relates again to housing policies. Where couples have only a small equity in a house, or if they have a very large equity, then it is likely that the house will be sold. In the former case mortgage payments are high and unlikely to be affordable on the reduced income after divorce. In the latter case, there is usually pressure to sell to allow division of matrimonial property. In either case, both parties will be looking for alternative housing. Ideally, new housing for both parents would be located close together so that they would be able to maintain contact with the children. This, however, is usually very difficult because of the generally homogeneous nature of housing in local areas. Many divorces with children occur in the newer, mortgage-belt suburbs where all housing is of the de-

TABLE 2: Family type at June 1984 of groups of persons divorcing from their first marriage in 1981 and 1983, percentage distribution

Family type at June 1984	Divorced in 1981; married 5-14 years up to separation, with two children		Divorced in Jan.-June 1983; married 5-14 years to separation, with two children		Divorced in 1981; wife aged 45-59 at separation	
	Men	Women	Men	Women	Men	Women
	%	%	%	%	%	%
Living alone	21	1	28	0	42	24
Not repartnered and not living with children of the marriage, but living with others	11	0	14	1	1	5
Not repartnered and living with children of the marriage	9	58	11	62	11	49
Repartnered and living with children of the marriage	12	38	6	33	5	12
Repartnered and living with other children (no children of the marriage)	28	0	20	1	16	0
Repartnered, no children present	19	3	21	3	25	10
	100	100	100	100	100	100

Note: All respondents had been separated between 12 and 24 months prior to their divorce

tached, one-quarter acre block type. This means that it is generally difficult for either parent to relocate in the same area which in turn causes disruption to the children's schooling and to their friendships.

Perhaps the most significant cost to the community and to the individuals involved in family dissolution is the dramatic decline in economic well-being experienced, especially by the members of female-headed one parent families. This type of family is the fastest growing type in Australia. Between 1966 and 1981 female-headed one parent families caused by divorce or separation increased by 145 per cent (Institute of Family Studies, 1983). They are also the family type most likely to be suffering economic deprivation.

LEVELS AND DISTRIBUTION OF INCOME

The latest available data describing the levels and distribution of income for the total population of individuals and families is for the years 1981-82. Table 3 shows the median income for the various family types (figures are in 1981-82 dollar terms). Married couple families with two or more children received the highest median income, $20 800, and single parent families with one child received the lowest income, $5600.

TABLE 3: Median income of family types 1981-1982

Family type	Median income
	$
Married couple, no children	16 000
Married couple, 1 child	20 600
Married couple, 2 children	20 800
Married couple, 3 or more children	20 800
Single parent, 1 child	5 600
Single parent, 2 or more children	7 100
Single person	7 800

Source: ABS, *Income and Housing Survey, Income of Income Units, 1981-82*. Catalogue No. 6523.0

Table 4 shows the proportion of each family type that received incomes on, or below, the level of average weekly earnings (AWE) in 1981-82. The extent of the substantial income inequality experienced by one parent families may be seen with reference to Table 4. While only 27.1 per cent of married couple families with two dependent children received incomes less than the level of average weekly earnings, 85.7 per cent of one parent families with two children were in receipt of less than AWE. The difficulties experienced by one parent families may be further demonstrated by comparing their incomes to those of married couple families with the same number of dependent children.

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In 1981-82, the median income of a one parent family with one dependent child was only 27 per cent of that of a married couple with one dependent child. Such income inequality has worsened over the past decade. In 1973-74 the median income of a one parent family with one child was equal to 105 per cent of the median income of a single person. Since that time it has fallen to 99 per cent in 1978-79 and 71 per cent in 1981-82. In other words a single parent trying to raise a child in 1981-82 had an income nearly 30 per cent less than that of a single person on which to do so.

TABLE 4: Income relative to Average Weekly Earnings (AWE) of family types, 1981-1982

Family type	Proportion of families below AWE
	%
Married couple, no children	49.6
Married couple, 1 child	31.6
Married couple, 2 children	27.1
Married couple, 3 or more children	28.8
Single parent, 1 child	87.6
Single parent, 2 children	85.7

Source: ABS, *Income and Housing Survey, Income of Income Units, 1981-1982*. Catalogue No. 6523.0

Families under the poverty line

The extent to which these patterns of income distribution affect the economic well-being of different family types may be clearly seen by applying the poverty line figures published by the Institute of Applied Economic and Social Research (IAESR) of the University of Melbourne. The Melbourne University poverty line for each type of income unit depends upon whether or not there are one or more members of a family that are in the labour force and thus require a greater income than that needed by people not in the labour force or 'at home'. Because the annual income data published by the Australian Bureau of Statistics does not show whether income units are in the labour force, the following figures were calculated on the basis of both the higher (labour force) poverty line and the lower (at home) poverty line. The selection of either figure for a particular income unit depends upon the most likely status of its members. For example, married couple families with children are most likely to have a member in the labour force as do many one parent families. Aged couples are, however, more likely, to be out of the labour force. For one parent families many would prefer to be in the labour force although various factors combine to reduce their ability to be active participants in the labour market. Accordingly, both the labour force and the at home poverty lines can be applied to their income levels.

The relative situation of different family types may be seen by comparing the median income figures cited earlier with the relevant poverty lines. For example, the median income for a married couple with one child was $20 600 compared to the before-tax labour force poverty line figure of $8289. For a one parent family with one child the median income was $5600 compared with the before-tax labour force poverty line of $6281 and the at home poverty line of $5355. One parent families were therefore far more likely to have incomes near or below the poverty line than married couple families.

In 1981-82 there were 381 900 families with children receiving incomes less than the labour force poverty line. These families contained approximately 751 800 children, and represented 24 per cent of the income units with incomes less than the poverty line. Half of the individuals living under the poverty line are in families containing children. One parent families, who constitute 4.1 per cent of all income units, make up much larger proportions (10.1 and 13.6 per cent) of the income units below the labour force and at home poverty lines.

When the situation in 1981-82 is compared to the income distribution pattern recorded in 1978-79, the number of couples with children below the labour force poverty line increased by 54.4 per cent and the number of one parent families increased by 38.6 per cent. It appears that the 'face of poverty' had changed between the two periods. If the at home poverty line is used as the basis of assessment, the incidence of poverty, overall, appears to have fallen from 14.9 per cent to 14.3 per cent. Falls in the incidence of very low incomes among single people (particularly the aged) and couples without children, offset (in aggregate) increases in the incidence of below-poverty line incomes among families with children. Consequently, the sharp increase in low incomes among couples with children and among single parents is the most striking aspect of changes in the composition of income distribution.

It can be argued that the Melbourne University poverty line is generous in the amounts it assumes are needed to meet the costs of children, for example, compared with the Social Welfare Policy Secretariat relativities (Social Welfare Policy Secretariat, 1981). Also government initiatives since 1981-82 have improved the situation of low income families, especially with the introduction of the Family Income Supplement, the increase in family allowance rates for first and second children and the increased payments to one parent families in the 1984-85 Budget.

Against this it can be said that a sharp rise in the incidence of poverty among families with children is likely to be confirmed by almost any method of calculation and the size of the change in the proportion of families with children and low incomes is unaffected by relativities. Further, these income distribution figures (the latest available) were compiled prior to the worst of the 1982-83 recession which, for example, saw the unemployment rate for husbands with dependent children double. While the effect of the recent recovery can now be seen in raw figures, the extent to which the composition

of unemployment and income distribution has changed is difficult to assess as the relevant data are not available from the Australian Bureau of Statistics. Nevertheless it appears unlikely that the levels of poverty affecting families with children will have fallen below that for 1981-82.

Access of family members to employment

For most families their economic well-being is determined by their ability to find and maintain work. The most recent data available describing the labour force status of families are for July, 1983. Table 5 shows that 71 per cent of husbands or wives with dependent children participated in the labour force at July 1983, while only 43.9 per cent of heads of one parent families were in the labour force. The table also shows that unemployment nearly doubled for couples with children and increased from 10.9 per cent to 17.3 per cent for single parents over the year 1982 to 1983. While married couples maintained their levels of participation, single parents have been moving out of the labour force at a steady rate over recent years.

TABLE 5: Family status and labour force status of persons aged 15 and over, July 1979, 1982 and 1983

	Total Employed	Total Unemployed	Not in labour force	Unemployment rate	Participation rate
	('000)			(%)	
Married couples Husband or wife with dependent children present					
July 1983	2454.0	184.1	1076.8	7.0	71.0
July 1982	2514.6	104.9	1070.1	4.0	71.0
July 1979	2507.3	86.9	1093.9	3.3	70.3
Not-Married Family head with dependent children present					
July 1983	107.1	22.5	165.7	17.3	43.9
July 1982	125.4	15.3	165.7	10.9	45.9
July 1979	122.4	14.5	133.1	10.6	50.7

Source: ABS, *Labour Force Status and other Characteristics of Families, Australia*, Catalogue No. 6224.0, July 1983, 1982, 1979

When the separate labour force status of males and females is examined, it can be clearly seen how the labour market has reflected the division of labour which emphasises married males as the main breadwinners in families. Table 6

shows that unemployment rates for married men with or without dependent children were about 6 per cent while those for heads of one parent families were nearly twice the overall rate of 9.6 per cent. When separate age groups are considered, the unemployment rate at July 1983 was at its lowest (at 4.7 per cent) for 35-44 year old husbands with dependent children, while for female single parents it never went below 10.5 per cent (the rate for 35-54 year olds) and was at a high of 23.9 per cent for 25-34 year olds. Participation rates for husbands with dependent children are almost universally higher than for any other group in the labour force at all ages with a peak of 98.1 per cent participation for 20-24 year olds (ABS, *Labour force status and other characteristics of families*, July 1983). Even at the older age levels, husbands with dependent children are more likely to be in the labour force, with a participation rate of 84.7 per cent for those aged 55-59 years and 52.6 per cent for those aged 60-64 years compared with rates of 80.3 per cent and 44.6 per cent respectively for husbands without dependent children.

TABLE 6: Family status and labour force status of persons aged 15 and over, July 1983

	Unemployment rate	Participation rate
	%	%
Married couple		
husband with dependent children	6.2	95.3
husband with no dependent children	5.9	61.8
wife with dependent children	8.7	46.2
wife with no dependent children	4.6	38.0
Not-married family head with dependent children		
male	17.5	79.7
female	17.3	38.8
Total	9.6	61.3

Source: ABS, *Labour Force Status and other Characteristics of Families, Australia*, July 1983, Catalogue No. 6224.0

Families' experience of unemployment

In 1983, unemployment worsened and its impact on families was significant. At July 1983, 462 800 families had one or more members who were unemployed. This represented 11.7 per cent of all families compared with 8.1 per cent at July 1982. Of these families, 83 per cent were married couples compared to 79.4 per cent in 1982. Of the 182 200 families that had none of their members employed, 64.8 per cent included dependent children, compared to 60.6 per cent in 1982. Of the married couple families with dependent children,

9.3 per cent had one or both spouses unemployed compared to 5.8 per cent in 1982. In all, there were 289 700 families with dependent children with one or more members unemployed representing 7.3 per cent of all families, a situation nearly 50 per cent worse than in 1982.

The duration of unemployment also increased in 1983. Of those families with dependent children where the husband was unemployed, 57.7 per cent were out of work for more than six months, whereas in 1982, 44.5 per cent were unemployed for that period of time. The median duration of unemployment increased from 10 weeks in 1982 to 28.1 weeks in 1983. For one parent families the median duration was 22.1 weeks for female heads and 40.1 weeks for male heads.

Unemployment is also concentrated in certain families. In 1983 the spouse of an unemployed man was more than five times as likely to be unemployed herself than the spouse of an employed man. On the other hand, the spouse of an employed man was 2.8 times as likely to be employed.

Two-earner families

The most fundamental change affecting families and the labour market in recent decades has been the increased participation of married women, especially those with dependent children. Of all married couple families with dependent children in 1983, 45.4 per cent had both spouses in the labour force. Between 1969 and 1980 the proportion of persons in the labour force designated as those responsible for children under the age of 17 years (mostly women) increased by 60.7 per cent (ABS, *Child care arrangements*, June 1980). The importance of having access to two incomes for many families is dramatic. A married couple family can increase its income by 57 per cent if the second income earner works part-time and by 82 per cent if full-time work is taken (ABS, *Income distribution*, 1978-79 *income units*).

More significantly, a one parent family can increase its income by 110 per cent if the parent works part-time and by 176 per cent if the parent works full-time.

In 1975, the Henderson Poverty Inquiry (Commission of Inquiry into Poverty) found that the number of families in poverty would double if wives did not engage in paid work. The woman's earnings can be of crucial importance, therefore, in enabling the family to meet house repayments and to stay above the poverty line. The 1978-79 Australian Bureau of Statistics income survey data show that there were 126 400 married couple families with dependent children receiving incomes less than $7000 per annum, which was approximately the poverty line for a couple with two children (ABS, *Income distribution* 1978-79, *income units*, Table 1). Without the income of wives with paid jobs, the number of families with dependent children receiving less than $7000 per annum would have increased by a further 123 645 or by 97.8 per cent.

Women's employment

Access to two earned incomes, or, as in the case of most one parent families only one, depends upon the ability of women to find places in the paid labour market. By now, the place of women in the workforce should be regarded in the same way as that of men. If the Australian government's legislation on equal employment opportunities for women is to achieve its objectives, attitudes that still regard women's place as secondary, or as merely 'supplementing' family incomes, will have to give way to those which regard women's contributions as important as men's.

Clearly there is considerable ground to be made up before the goal of equal opportunity is reached. While women have played an increasingly important role in the labour force in recent decades, it is clear that their current experience is significantly different from that of men. The following is a list recently presented as characterising women's labour force status (Neary, 1984):

- heavy clustering in a small number of industries and occupations
- concentration in sectors most affected by restructuring and technological change
- limited acquisition of recognised 'skills' and limited access to skills training
- higher levels of part-time employment, under-employment and outwork
- higher unemployment, particularly amongst women aged 25-45 years, Aboriginal women and immigrant women from non-English speaking backgrounds
- poorer working conditions
- lower union membership levels and limited participation in trade unions.

Both a gender segmented labour market and the maintenance of a division of labour within families combine to ensure women's work is mainly within the secondary labour market. As such, their work is characterised by lower pay, less opportunity for advancement, poor conditions and less security.

Gender segmentation is brought about by heavy concentration of women into certain occupations, which in turn allows for lower overall rates of pay, greater exposure to risk of unemployment and the tendency to 'casualise' employment.

The ratio of women's pay to men's for full-time workers aged 20 years and over was 0.8 in 1983, a decade after equal pay decisions were handed down (Women's Bureau, 1984). Women account for 78.2 per cent of all part-time workers. In February 1984, 63.7 per cent of women in employment were concentrated in three major occupational groupings — clerical, sales and services. Factors contributing to gender segmentation of the labour force and differential wage payments have been identified as hours worked, age, length of experience, qualifications and training (Women's Bureau, 1984:5). If women are to break the occupational straitjackets preventing them earning equal wages, there must be action to reduce the concentration of their location

and to provide more social support structures such as child care.

Unemployment has a significant impact on the types of work at which women are mainly employed. New technology tends to replace unskilled workers first, the effect of which progressively concentrates operators at lower paid levels who in turn become vulnerable to further technology and rationalisation. Women are also more liable to bear the brunt of fluctuations in the provision of jobs in the services sector, especially those dependent on levels of government spending. Recorded levels of unemployment also belie the tendency for women to move in and then out of the labour market altogether and not to become registered as unemployed. The August 1984 unemployment rate for females was 8.3 per cent. However a much higher figure would be recorded if statistics were taken of women who would work if work was available, and if adequate arrangements could be made for them to take up that work. Figures based on the September 1983 unemployment collections, which incorporated measures of hidden unemployment and discouraged workers, indicate that a rate as high as 30.8 per cent might be a more accurate measure of women's unemployment (Women's Bureau, 1984:14).

Under-employment is another feature of women's labour market experience, especially where it is defined according to the numbers of hours extra part-time workers would prefer to work (ABS, *Employment, underemployment, and unemployment, 1966-1983*). In 1983, 20 per cent of all part-time workers were classified as under-employed. The highest rate of under-employment for women, apart from 15-19 year olds, was for the 35-44 age group, indicating the difficulty many women experience in re-entering the labour market.

The predominance of women in the part-time labour market is not surprising for a number of reasons. Between 1966 and 1983 part-time jobs accounted for 57.5 per cent of additional jobs for women compared to only 12.5 per cent for men (Women's Bureau, 1984:12). The continuing sexual division of labour within families accounts for married women's high rates of part-time work. The participation rates of women with dependent children are less than one third of those without children for those aged 20-29 years, one half for women aged 30-34, and it is not until women with dependent children are in their mid-forties that their participation rates approach more nearly those of other women (ABS, *Labour force status and other characteristics of families*, July 1983). Table 7 shows the impact of the age of the youngest child on both the participation rate and the extent to which part-time employment is sought by married women. Only 33 per cent of those with a youngest child aged 0-4 years were in the workforce in July 1983, and 62.1 per cent of those worked part-time. In comparison, where the youngest child was aged 10-14 years, 62.7 per cent of married women worked, and 52.9 per cent of these were employed part-time. If women are to increase their access to the primary labour market, factors contributing to their under-employment through concentration in part-time work will need to be ameliorated. The contributing

reasons are the lack of support available to families especially to enable the care of children to be adequately organised, and the fact that women are still regarded almost universally as responsible for children's welfare.

Additionally, the part-time labour market would better provide for families' requirements to balance work and family needs if it were not characterised by job insecurity, lack of conditions enjoyed by full-time workers such as sick and long service leave, superannuation and opportunities for advancement. Male workers might then opt for more part-time employment once some aspects of the full-time breadwinner role were relaxed.

TABLE 7: Labour force status of wives of full-time employed husbands, July 1983

	Participation rate	Part-time employment rate
	%	%
Age of youngest dependent child		
0-4	33.0	62.1
5-9	56.7	58.6
10-14	62.7	52.9
15-20	61.9	48.6
Families without dependent children	60.9	27.6

Source: ABS, *Labour Force Status and other Characteristics of Families*, Australia, July 1983, Catalogue No. 6224.0

Recently the assessment of an OECD review on the role of women in the economy was reported to have identified three basic types of problem that need addressing (Neary, 1984:20-21):

- labour market practices which discriminate against women
- women's disadvantage in the labour market being related to the fact that they bear a disproportionate share of family responsibilities, and
- inappropriate education and training which make it difficult for women to obtain better employment.

Six categories of policies were also cited as necessary to influence both participation and gender segmentation of the labour market. These were listed as:

- anti-discriminatory labour market policies including
  - — equal pay legislation
  - — sex discrimination legislation
  - — affirmative action programs in the public and private sectors
- training and education policies, including
  - — those to expand educational opportunities for girls

  - those to provide pre-employment or re-entry training, and
  - to provide ongoing training for women already in the labour force, so that they can enter employment sectors in which women have been under-represented
- policies for the unemployed, including training and placement, and job creation schemes
- policies for family and working life, including
  - those relating to the organisation of working conditions and working time
  - arrangements concerning maternity and parental leave, and
  - facilities for the care of children and other dependent family members
- social security and taxation policies, including
  - removal of directly or indirectly discriminatory measures
  - policies to assist in reconciling employment with family responsibilities, and
  - changes in measures which carry disincentives for women to participate in the labour market
- policies for immigrant women and racial minority groups.

Of these the Institute of Family Studies is particularly concerned that efforts are made by governments, employers and unions, to enable workers in families to organise better both their working and family lives. Policies must be explored that would provide such measures as permanent part-time work where pro-rata conditions of employment such as long service leave, superannuation and seniority are an entitlement; special leave for family purposes including care of a newly-born child, illness or invalidity of family members, or educational activities of children; the adequate provision of suitable, quality child care at reasonable cost via a mode most suited to the family; shorter working hours or weeks or flexible hours, to allow domestic tasks to be performed; and access to training and re-training opportunities, bridging courses and update programs, for workers affected by the utilisation of family leave provisions. Both men and women must be regarded as equally responsible for the working roles, both paid and domestic, and the caring functions of families. Only when it is so regarded will women and men enjoy equally the rewards of both work and family and in so doing hopefully maximise their family and personal satisfaction as well as their economic well-being.

One parent families

Frequent mention has been made of the deteriorating income status of one parent families. At July 1983 there were 295 300 families characterised by the Australian Bureau of Statistics as 'other families' with dependent children present. While this category includes some families headed by older siblings or unrelated adults, most are one parent families. Of these, 86 per cent were

headed by females. Only 38.8 per cent of female heads of these families were in the labour force, 17.3 per cent experiencing unemployment. Of the male heads with dependent children, 79.7 per cent were in the labour force, and 17.5 per cent were unemployed. Female single parent participation rates have steadily declined over the past decade as Table 8 shows. It has been suggested that the improving participation rate of married women is attributable to their greater likelihood of taking part-time employment (Cass and O'Loughlin, 1984:67). For single parents, full-time work is a more attractive option than part-time employment to overcome the effect of high effective marginal tax rates resulting from the combination of withdrawal of government benefits and the income tax scales.

The impact of divorce or separation on the economic status of one parent families is dramatic. The analysis of data from the Institute's Economic Consequences of Marriage Breakdown Study shows that for the group divorced in 1981 (married 5-14 years with two children), the median household income fell from the $31 000-$38 000 range before separation (June 1984 values) to the $17 000-$21 000 range in mid 1984. In mid 1984, 32 per cent were receiving less than $13 000 and 17 per cent were in receipt of less than $10 000, compared with 5 per cent and 3 per cent respectively prior to the separation of the married couple. For this group there has been four or five years for some recovery of the household financial situation to occur. For the group divorced in 1983 (married 5-14 years with two children), the median household income also fell from the $31 000-$38 000 range before separation to the $17 000-$21 000 range in mid 1984. The proportion receiving less than $13 000 was 36 per cent and those receiving less than $10 000 again comprised 17 per cent, compared with 6 per cent and 4 per cent prior to separation.

TABLE 8: Labour force participation rate of single and married women with dependent children, Australia, 1974-1983

	1974	1975	1977	1979	1980	1981	1982	1983
Wife with dependent children	34.9	37.7	42.4	44.4	46.0	45.5	45.7	46.2
Not-married female with dependent children	45.2	47.9	42.4	43.4	42.8	41.2	39.3	38.8

Source: ABS, *Family Status and Employment Status of the Population, November 1974 and November 1975* (Ref. No. 6.55), and

ABS, *Labour Force Status and other Characteristics of Families, Australia*, 1979, 1982, 1983, Catalogue No. 6224.0

Policies to improve the ability of single parents to gain employment must include better support for working parents especially child care services; less punitive conditions to the receipt of government benefits; greater access to

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training and retraining as employment opportunities are increased with better qualifications; and more adequate income support for dependent children.

The importance of adequate income support mechanisms and improved opportunities to find paid work are demonstrated upon examination of the sample of divorced women surveyed for the Institute of Family Studies' Economic Consequences of Marriage Breakdown Study. Of those divorced in 1983, 72 per cent have been supported by government benefits at some time, yet two years or so after separation only 38 per cent derived their main source of income from the Supporting Parents' Benefit (SPB), and 34 per cent were supported by their own wages. Of those divorced in 1981, 60 per cent had received some earned income before separation, 65 per cent had ever received SPB and 70 per cent had some earned income in June 1984. These women were married from 5 to 14 years, were aged between 30-40 years and did not have dependent children under school age. It is probable that their labour force experience prior to separation and their lesser need for extended child care for infants improved their chances of employment relative to many younger single mothers. Nevertheless, despite the volatility of their labour force status in the few years following separation, the figures indicate the potential for many more such women being able to support their families from earnings if opportunities were improved. These findings also underscore the importance of adequate income support while family crises are being resolved.

POLICY STRATEGIES FOR THE FUTURE

All of the preceding material has been included to demonstrate that many areas of policy combine to influence the ability of families to provide for their members' economic well-being. But to move from the identification of issues to the recommendation of specific reform proposals is a difficult step. Competition for resources, ideological differences about how to achieve objectives, political acceptability of proposals and a range of other considerations must be taken into account. For those reasons, the Institute puts higher priority in this paper on the identification of broad strategic objectives, the need for which the Institute feels is amply supported by the data presented herein showing significant changes in the structure of society in general and families in particular.

Development of policy options to achieve those objectives is, of course, fundamentally important despite the attendant difficulties. We therefore also offer some suggestions for changes to income transfer programs based on work carried out under the Institute's Australian Family Income Transfers project (AFIT). The AFIT facility, described in detail in AFIT Bulletin No. 1 (which has already been supplied to EPAC) allows us to test alternative policy options in the taxation and social security areas. As AFIT is developed and refined, the Institute foresees a continuing role for it in the testing and assessment of options, both in response to requests from bodies such as EPAC and as part of its own ongoing task of identifying factors affecting family stability.

Priority objectives

The priority objectives as the Institute sees them are:

1. *Employment policies* which:

- recognise the economic necessity for all those members of families who seek work to be able to participate equally in the paid labour force
- support and encourage the more equal distribution of labour between men

and women through policies which enable family members to share work and family responsibilities equally

- increase the ability of women to gain access to paid work and improve their position in relation to rates of pay, conditions, and advancement
- enable family members to have access to training and retraining opportunities regardless of their sex, age and marital status and which adequately address the problems of structural change in the labour market.

2. *Income support provisions* which:

- provide an adequate basic income for all Australian families
- enable families to weather drastic changes in their economic circumstances such as unemployment and marital breakdown
- assist young people if their lengthened dependency is not to place inequitable burdens on those families less able to support them.

3. *An education and training system* which:

- recognises that current employment conditions and family formation trends increase the demand for post-compulsory education and training
- enables young people, especially girls and youth of non-English speaking background, to attain the benefits of a growing and changing economy
- provides training and retraining opportunities for displaced workers and workers re-entering the labour market.

4. *Family support services* which:

- assist families in their efforts to remain viable units
- ensure child care facilities are available to make equal employment opportunity and an equitable division of labour between men and women achievable
- ensure access to services is universal and not based on levels of wealth. In this way low income families may gain access to opportunities afforded by the sorts of education, housing and health services often only available to well-off sectors of the community.

Reform strategies for taxation and social security

Taxation and social security programs must be assessed for the extent to which they enhance or detract from family well-being. These systems have been frequently criticised on economic grounds, but they are also in need of review because they fall short of achieving important social objectives.

Pension and tax provisions have been criticised for failing to ensure that all individuals and families have a sufficient income to enable them to participate fully in the life of our society. This focuses attention both on the base rates of

pensions and benefits and the amounts of tax levied on lower income working groups. As described above, one parent families are the group most in need, despite the increases in payments announced in the 1984-85 Budget.

While pensions and allowances for children have been criticised as being too low, and taxes too high, there is also criticism of the tax system for failing to raise sufficient revenue to fund adequately a variety of Commonwealth supported programs — including public housing, child care and other payments to State and local governments.

Tax and pension provisions are also frequently criticised for failing to meet horizontal equity objectives. Insufficient recognition is given to the costs of dependents — either children, a non-working spouse, or elderly relatives — thus resulting in calls for higher allowances (such as Family Allowances, Dependent Spouse Rebate) for people with dependents.

A further issue is the incentive effects of tax transfer provisions. It is often said that tax and social security programs change behaviour in ways which are to the detriment of the individuals concerned or to society as a whole.

The most common targets for criticism relate to the reduction in work incentives associated with the dependent spouse rebate, marginal tax rates of 47 and 61 per cent on taxpayers, effective marginal tax rates on pensioners and beneficiaries of 50 per cent to over 100 per cent, and insufficient margins between pension and benefit levels and wages. Other incentive effects which have been discussed include disincentives to save, impacts on family composition arising from the sole parent benefit and the rates of payment to couples versus singles, disincentives to paid employment because of the non-taxation of the value of unpaid services, and distortions in production and distribution arising from the tax treatment of capital gains and the uneven application of indirect taxes.

To develop policies which overcome these problems is not easy as there are frequently conflicts between them. The raising of base rates of income support payments, for example, may conflict with the desire to reduce marginal tax rates to improve work incentives. Similarly, the raising of additional revenue to improve services, for example, by introducing a broad-based indirect tax or implementing a capital gains tax, may have impacts on family economic well-being or the levels of employment provided by small businesses, which offset the advantages sought. Reform proposals must therefore trade off these competing objectives, putting higher priority on some than others.

In the discussion which follows, the Institute has chosen to emphasise:

1. The aim of increasing base rates of payment, particularly for families with children
2. The aim of coordinating the tax and social security systems so as to reduce work disincentives for beneficiaries
3. The need for a mechanism to offset, for low income groups, the regressive effects which would result if the government should choose to introduce a broadly based tax on the consumption of goods and services

4. The need to supplement equal employment programs with policies which promote a more equal distribution within families of family income and family responsibilities.

The Australian Family Income Transfer (AFIT) project was developed to help assess policy options that pursue these objectives. This project uses available national statistics, such as the Census and the ABS Income Surveys, as a basis for assessing the redistributive impact on different family types of changes in pension levels, means tests, tax rates and tax thresholds.

Options and issues

The Institute is using the AFIT program to examine tax and social security reforms. The following is a guide to the sorts of options being examined and the issues raised for families.

Increased base rates of payments

To improve the adequacy of family incomes, the Institute is examining the cost and impact of raising the single rate of income support payment to 25 per cent of Average Weekly Earnings (AWE) or to the present poverty line. It is also looking at substantially increasing the amount payable for children in low income families, for instance, to 5 per cent of AWE or $20 a week.

Eased withdrawal rates

AFIT is also being used to assess ways of reducing effective marginal tax rates, especially for people receiving unemployment and sickness benefits, for example, by changing the benefit withdrawal rate to 50, 60 or 70 per cent. The high effective marginal tax rates which result when two or more means tests operate over the same income range could be reduced by applying means tests sequentially. Supplementary assistance, for example, could be paid until the pension or benefit has been tapered away and then withdrawn at the rate of 50 per cent (for supporting parents and pensioners) or 60 per cent for the unemployed (who are not presently eligible) and sick (at present eligible only after six weeks on benefits). The coordination of the income tests of other Departments (for example, Education) is also under examination.

Reduced tax expenditures

To further improve work incentives by reducing tax rates and to reduce tax-induced distortions, the Institute is investigating means of broadening the tax base, for instance, by reducing the current concessions for superannuation contributions, employer-provided fringe benefits and capital gains. The 1984-85 Budget papers (No. 1, p.319) contain the estimate that $2610m revenue was foregone as a result of income tax concessions on retirement and other employment termination benefits. The need for some broadening of the definition of taxable capital gains now seems to be widely recognised, not so much as

a means of boosting tax revenue, but as a means of reducing tax avoidance and distortions in economic activity.

These policy options require careful investigation, however, as they raise issues for retirement incomes programs (for example, National Superannuation), valuation and implementation procedures, and impacts on investment and employment (particularly by small family businesses).

Indirect taxes

If the government seeks to reduce income taxes through the introduction of a value added tax or broad retail sales tax, there will be a need to compensate low income individuals and families. Because many of these people pay little or no income tax at present, they would not benefit from cuts in income tax.

While adjustments to pensions and benefits could compensate most low income groups for the additional indirect taxes they could expect to pay, methods for assisting other low income groups are needed. There are some individuals and families with low earnings — such as apprentices, those on the minimum wage and part-time workers — who do not receive a pension or benefit. The Institute is examining options for a tax credit, payable through pensions and benefits, plus an end of year refund for other income recipients, to offset the most regressive effects of increases in indirect taxes.

The expenditure proposals under consideration aim to improve the access to income of Australia's vulnerable groups. Low income families with children, particularly single parents, would be major beneficiaries of any increases in the levels of income support payments, while measures aimed at reducing effective marginal tax rates could result in increased earned incomes. The tax measures being examined also seek to improve work incentives and the equity of tax provisions. It is argued that there is a need to broaden the tax base and introduce measures to offset the regressive effects of any broadening of the indirect tax base. This would enable families to receive adequate levels of income support and basic services, while still providing incentives to work through a more equitable and efficient tax structure.

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